

Message Text

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DEPT PLEASE PASS AGRICULTURE FAS FOR HUGHES, TP AND F & O

GENEVA FOR GATT, BRUSSELS FOR USEC

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TAGS: EAGR, AU

SUBJECT: PROPOSED AUSTRIAN OILSEED PROGRAM

1. SUMMARY. AGRICULTURE MINISTRY OFFICIAL (GRACHEGG) SAID AUSTRIA
DEVELOPING OWN VEGETABLE OILSEED PRODUCTION TO LESSEN RELEVANCE ON
FOREIGN OILSEED PRODUCTS WHICH CURRENTLY REPRESENT 95 PERCENT DOMESTIC

NEEDS. GUARANTEED HIGH PRICES COUPLED WITH MEASURES TO REPLACE ONE-
THIRD IMPORTS BY DOMESTIC PRODUCTION WILL GIVE AUSTRIAN FARMERS
INCENTIVE TO SHIFT 50,000 HECTARES FROM SOFT WHEAT INTO RAPESEED AND
SUNFLOWER SEED PRODUCTION, PERHAPS AS EARLY AS 1978. IN VIEW
AUSTRIA'S COMMITMENTS IN GATT WHICH GUARANTEE UNRESTRICTED ACCESS
TO ITS MARKETS FOR OILSEEDS AND OILSEED PRODUCTS CONSULTATIONS WITH
GATT MEMBERS AFFECTED MAY BE INITIATED SOON. END SUMMARY.

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2. AGATT MET SEPT 9 SECTION CHIEF GRACHEGG (ASSISTANT SECRETARY
OF MINAG) TO DISCUSS LATEST DEVELOPMENTS IN AUSTRIAN AGRICULTURE.
DISCUSSION CENTERED ON PRESENT PLANS TO EXPAND VEGETABLE OILSEED
PRODUCTION. GRACHEGG MADE FOLLOWING POINTS:

3. AUSTRIA AS A NEUTRAL COUNTRY MUST LESSEN RELIANCE ON IMPORTS OF
VEGETABLE OILS AND MEALS SINCE SELF-SUFFICIENCY IN THESE COMMODITIES

IS NO MORE THAN 5 PERCENT THE BITTER EXPERIENCE RESULTING FROM THE US EMBARGO ON SOYBEAN MEALS FEW YEARS BACK STILL WORRIES MANY THAT THIS MAY HAPPEN AGAIN. FURTHERMORE, AUSTRIA HAS BEEN PLAGUED IN RECENT YEARS WITH SURPLUS PRODUCTION OF SOFT WHEAT WHICH COULD NOT BE EXPORTED WITHOUT GREAT COST TO THE GOVERNMENT. TO ENABLE ITS FARMERS TO SWITCH 50,000 HECTARES FROM SOFT WHEAT TO MORE EXPENSIVE OILSEED PRODUCTION GOVERNMENT WILL INTRODUCE MEASURES TO RAISE PRICES FOR OILSEEDS WELL ABOVE WORLD MARKET LEVELS AND WILL PROTECT THESE FROM CHEAP IMPORT COMPETITION.

4. AUSTRIAN GOVERNMENT IS STUDYING CURRENTLY VARIOUS SCHEMES TO IMPLEMENT THIS PROGRAM THROUGH MARKETING ORDERS. DURING SEPTEMBER EXPERTS WILL VISIT SWEDEN WHERE OILSEED PROGRAM HAS BEEN SUCCESSFUL FOR SEVERAL YEARS. ONCE MECHANISM WORKED OUT ENABLING LEGISLATION

WILL BE SOUGHT PERHAPS EARLY NEXT YEAR. THIS MEANS OILSEED PRODUCTION COULD START AS EARLY AS 1978. PROGRAM SHOULD BE IN FULL OPERATION BY 1981 WITH COMPETITION OF LARGE OILSEED PROCESSING FACILITY, WHICH WOULD ENABLE AUSTRIA TO PROCESS ALL ITS VEGETABLE OIL AND MEAL NEEDS THE PROCESSING PLANT TO BE BUILT SHOULD HAVE AN ANNUAL CAPACITY IN EXCESS OF 350,000 MT.

5. DOMESTIC OILSEED PRODUCTION PROGRAM WILL SUPPLY ONLY ABOUT ONE-THIRD AUSTRIA'S NEEDS IMPORTS THEREFORE WILL STILL PROVIDE TWO-THIRDS OF ITS REQUIREMENTS. COMPOSITION OF IMPORTS HOWEVER WILL CHANGE BY 1981. INSTEAD VEGETABLE OILS AND MEALS, AUSTRIA LIMITED OFFICIAL USE

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WILL IMPORT OILSEEDS ONLY FOR PROCESSING.

6. AFTER AGATT RAISED POSSIBILITY CONFLICT OF PLAN WITH GATT GRACHEGG, WHO HIMSELF FAMILIAR WITH GATT PROVISIONS, ACKNOWLEDGED NEED FOR CONSULTATION WITH TRADING PARTNERS. AUSTRIA BOUND ITS DUTY IN GATT AT ZERO RATE BOTH FOR OILSEEDS AND OILSEEDS AND OILSEED PRODUCTS. THE SCHEME HE SAID MAY OR MAY NOT INVOLVE DIRECT INTERVENTION AT THE BORDER. NEVERTHELESS, WHATEVER MEASURES ARE TAKEN OVERALL EFFECT ON IMPORTS WILL BE RESTRICTIVE.

7. GRACHEGG FULLY AWARE OF ADVERSE TRADE IMPLICATION OF OILSEED PROGRAM ON TRADITIONAL SUPPLIERS. HE SAID HE WILL PERSONALLY RECOMMEND TO HIS MINISTER (HAIDEN) THAT BEFORE ENABLING

LEGISLATION IS INTRODUCED AUSTRIA SHOULD CONSULT WITH ITS TRADING PARTNERS. HE EXPRESSED HOPE THAT ONCE THESE CONSULTATIONS ARE UNDER WAY, UNITED STATES WILL SHOW SAME GOOD WILL AND UNDERSTANDING IT SHOWED ON PREVIOUS OCCASIONS IN SIMILAR CONSULTATIONS WITH OTHER COUNTRIES.

8. COMMENTS. PLANS FOR INCREASED OILSEED PRODUCTION HAVE BEEN

KNOWN FOR SOME TIME. MORE DETAILS ABOUT HTHIS PLAN, HOWEVER,

BECAME AVAILABLE ONLY NOW. AUSTRIA PLANS TO PRODUCE 80,000 MT
RAPESEED AND 20,000 MT SUNFLOWERSEED YIELDING A TOTAL OF 50,000 MT
MEAL AND OVER 40,000 MT OIL SINCE AUSTRIA AT PRESENT PRODUCES
LITTLE OF THESE COMMODITIES, DOMESTIC MEAL AND OIL OUTPUTS WILL
REDUCE IMPORTS INITIALLY BY THE SAME AMOUNT.

9. US TOTAL SOYBEAN MEAL INTEREST IN AUSTRIA WAS ESTIMATED AT
178,000 NT IN 1976. THIS INCLUDED 36,000 MT IMPORTED DIRECTLY FROM
THE US AND AN ESTIMATED 142,000 MT CRUSHED FROM US BEANS BUT
IMPROTED FROM WEST GERMANY. THESE TONNAGES ARE CURRENTLY VALUED
AT \$35 MILLION AND REPRESENTED 62 PERCENT OF ALL MEAL IMPORTS

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INTO AUSTRIA IN 1976 FROM ALL SOURCES US ALSO AN ESTIMATED
INDIRECT INTEREST IN 22,000 MT OF SYBYEAN OIL (GERMAN OIL
EXTRACTED FROM US BENAS.) THIS OIL WHICH IS CURRENTLY VALUED AT
\$12 MILLION REPRESENTED 20 PERCENT OF ALL VEGETABLE OILS IMPORTED
INTO AUSTRIA IN 1976.

10. ABOVE FIGUJES INDICATE UNITED STATES HAS A LARGE STAKE IN
AUSTRIAN OILSEED PROGRAM. APART FROM ITS INTIIAL ADVERSE EFFECT
ON SOYBEAN OIL AND MEAL TRADE AUSTRIAN OILSEED PROGRAM IS EXPECTED
INHIBIT ALSO FUTURE GROWTH OF IMPORTS IN THESE COMMODITIES. IMPORTS
HAVE RISEN AT AN AVERAGE ANNUAL RATE OF 14 PERCENT DURING THE
PAST FIVE YEARS. OWLF

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